Aug 6, 2013

Consolidated Financial Report for the First Quarter of the Fiscal Year Ending March 31, 2014

Ube Industries, Ltd.

1. Consolidated Companies

Number of companies \ Fiscal period	Previous FY ended Mar. 31, 2013	Current First Q ended June. 30, 2013	Change
Consolidated companies	67	68	+1
Companies using equity method accounting	25	25	0
Total	92	93	+1

2. Consolidated Business Results for the First Quarter of the Fiscal Year Ending March 31, 2014 (April 1, 2013 to June 30, 2013)

(1) Results of Operations

Billions of Yen – except per share data)

	Previous First Q ended June. 30, 2012	Current First Q ended June. 30, 2013	Change
Net sales	151.2	153.4	2.1
Operating income	6.0	1.2	-4.8
Net interest expenses	-0.6	-0.4	0.1
Equity in earnings of affiliates	0.0	0.3	0.2
Exchange gain or loss	-0.2	-0.0	0.2
Other non-operating income	0.6	-1.0	-1.6
Ordinary income	5.8	0.0	-5.8
Extraordinary income (losses), net	0.1	-0.2	-0.4
Net income	2.3	-0.2	-2.6

Net income per share	2.33 Yen	-0.27 Yen	-2.60 Yen

Presupposition conditions

Exchange rate (Yen per US$)	80.2	98.8	18.6
Naphtha price (Yen/kl)	60,600	65,500	4,900
Australian coal price (Yen/ton)	10,506	11,022	516

Net Sales by Segment

(Billions of Yen)

	Previous First Q ended June. 30, 2012	Current First Q ended June. 30, 2013	Change	Comments
Chemicals & Plastics	54.4	53.0	-1.3	- Decrease in sales price of synthetic rubber, etc.
Specialty Chemicals & Products	15.6	15.7	0.1	
Pharmaceutical	2.4	1.8	-0.6	- Prices revision of active ingredients discovered by UBE, etc.
Cement & Construction Materials	50.5	52.5	1.9	- Increase in domestic sales volume of cement, etc.
Machinery & Metal Products	15.3	18.1	2.8	- Increase in shipment of molding machines and sales volume of steel making products.
Energy & Environment	16.4	12.9	-3.5	- Decrease of income from IPP, decrease in sales price of selling coal.
Other	6.3	7.4	1.1	
Adjustment	-9.9	-8.2	1.6	
Total	151.2	153.4	2.1	

Operating Income by Segment (Billions of Yen)

	Previous First Q ended June. 30, 2012	Current First Q ended June. 30, 2013	Change	Comments
Chemicals & Plastics	1.5	-2.9	-4.5	- Decrease in spread between selling prices and costs of raw materials, and in sales volume for caprolactam,
Specialty Chemicals & Products	0.6	-0.0	-0.6	- Decrease in sales price and volume, etc
Pharmaceutical	0.7	0.2	-0.4	- Prices revision of active ingredients discovered by UBE, etc.
Cement & Construction Materials	1.7	2.7	1.0	- Increase in domestic sales volume of cement, etc.
Machinery & Metal Products	0.6	1.2	0.6	- Increase in shipments of molding machines and sales volume of steel making products.
Energy & Environment	1.1	-0.0	-1.1	- Increase in IPP repair costs, decrease in revenue; decreased coal storage, etc.
Other	0.2	0.2	-0.0	
Adjustment	-0.6	-0.2	0.4	
Total	6.0	1.2	-4.8	

Note: Adjustment of operating income is calculated by totaling the company-wide cost excluding allocation to each segment and the tradeoff of inter-segment trades.

(2) Financial Condition

(Billions of Yen)

Assets	Previous FY ended Mar. 31, 2013	Current First Q ended June. 30, 2013	Change
Cash and deposits	36.2	43.6	7.3
Accounts receivable	143.2	142.8	-0.3
Inventories	81.7	91.4	9.6
Property, plant and equipment	323.7	327.5	3.7
Intangible fixed assets	4.8	5.5	0.6
Investments and other assets	96.0	96.1	0.1
Total assets	685.8	707.1	21.2

Liabilities	Previous FY ended Mar. 31, 2013	Current First Q ended June. 30, 2013	Change
Notes and accounts payable-trade	83.2	94.0	10.7
Interest-bearing debt	246.6	253.4	6.8
Other liabilities	105.2	105.7	0.5
Net assets	250.7	253.8	3.0
(Shareholders' Equity)	(222.1)	(215.5)	(-6.5)
(Accumulated Other Comprehensive Income)	(-6.5)	(2.5)	(9.1)
(Share subscription rights and Minority interests)	(35.2)	(35.6)	(0.4)
Total liabilities and Net assets	685.8	707.1	21.2

Cash Flows

(Billions of Yen)

	Current First Q ended June. 30, 2013
Cash flows from operating activities	12.0 *1
Cash flows from investing activities	-10.1 *2
Cash flows from financing activities	1.1
(Interest-bearing debt)	(-6.6)
(Dividend paid and Other)	(-5.4)
Cash and cash equivalents at end of period	43.2

(Billions of Yen)

(Ref.) Previous First Q ended June. 30, 2012
12.3
-12.0
-0.6
(4.9)
(-5.6)
33.7

*1 Net income before taxes	-0.2 billion Yen
Depreciation and amortization	7.8 billion Yen
Decrease in working capital	3.8 billion Yen , etc
*2 Acquisition of tangible/ intangible fixed assets	-7.9 billion Yen

(3)Qualitative Information

Overview

During the current term, although the U.S. economy continued a gradual recovery, stagnation of the European economy continued and there was a deceleration of economic expansion in China and other Asian countries, resulting in a somewhat weak global economy. On the other hand, the Japanese economy showed signs of recovery due to reconstruction demand from the Great East Japan Earthquake, as well as improved exports due to a weakening yen. However, a severe economic environment continued due to lingering uncertainty and the impact of stagnant overseas demand.

The Company Group has been engaged in measures aiming to solve various operational tasks in order to enable speedy response to structural changes in the business environment. Our efforts are based on the basic policies of the three-year medium-term management plan “Change & Challenge − Driving Growth-,” which entered its first year in the current period. The basic policies are “Strengthen the revenue base to enable sustainable growth,” “Maximize the global strength of the Ube Group” and “Address and be part of the solution for resource, energy, and global environmental issues.” However, within the current business environment, our efforts have yet to bear results.

The overall conditions of the Group by segment are as follows.

It should be noted that first quarter performance for the Company Group tends to be lower than other quarters due to seasonal factors which include the following: periodic repairs for factories manufacturing items of Chemicals & plastics and Specialty chemicals & products segment were concentrated in the first quarter; demand for cement, the core product of our Cement & Construction Materials segment, is greater in the second half of the fiscal year; and sales of mechanical products is concentrated at the end of the fiscal year.

Chemicals & Plastics Segment

Market of caprolactam, which is used as a raw material of synthesize polyamide (Nylon), continues to stagnate due to excess supply caused by the successive start of operation for new facilities of other companies in China. Furthermore, shipping decreased due to trouble at the Thailand factory. In the case of polybutadiene rubber (synthetic rubber), production in Japan became unprofitable due to stagnant demand in China and high prices in the market for the raw material naphtha, as well as decreased product prices caused by a significant decline in the market for the intermediate product butadiene. On the other hand, there was strong demand for Nylon resins and industrial chemicals.

As a result, consolidated segment sales decreased by 1.3 billion yen, compared to the previous year, to 53.0 billion yen, while consolidated operating income decreased by 4.5 billion yen to loss of 2.9 billion yen.

Specialty Chemicals & Products Segment

In the market of materials for lithium-ion batteries, shipment of electrolyte exceeded the same quarter in the previous year and shipment of separator remained strong. However, the market was impacted by declining sales prices. For functional materials including fine chemical products and the field of electronics & information materials, although some products show signs of increasing demand, shipment remained weak.

As a result, consolidated segment sales increased by 0.1 billion yen, compared to the previous year, to 15.7 billion yen, while consolidated operating income decreased by 0.6 billion yen to loss of 0.02 billion yen.

Pharmaceutical Segment

Although the quantity of active ingredients for antiplatelet agent discovered by UBE increased, the quantity of other active ingredients discovered by UBE, as well as active ingredients and intermediates on consignment manufacturing fell below the same quarter in the previous year.

As a result, consolidated segment sales decreased by 0.6 billion yen, compared to the previous year, to 1.8 billion yen, while consolidated operating income decreased by 0.4 billion yen to 0.2 billion yen.

Cement & Construction Materials Segment

Shipments of cement, ready-mixed concrete and building materials were higher than the same quarter in the previous year due to full-scale reconstruction from the Great East Japanese Earthquake, strong public investment, and recovery in the construction of condominiums and houses. The profitability of exports also improved. The business of producing raw materials/fuel from various kinds of waste products was also strong. Shipments of calcia and magnesia dropped due to stagnation in demand for steel and electronic & information material.

As a result, consolidated segment sales increased by 1.9 billion yen, compared to the previous year, to 52.5 billion yen, while consolidated operating income increased by 1.0 billion yen to 2.7 billion yen.

Machinery & Metal Products Segment

Obtaining orders for industrial machinery such as vertical mills and conveyors remains difficulty due to fierce cost competitiveness among domestic and overseas manufacturers. Shipments dropped below the same quarter in the previous year. However, shipment for molding machines mainly used in the automobile industry were strong, especially in emerging countries and the North American market, due to further permeation of the market for new models. Machinery service was strong. Also, shipment of steel products exceeded the same quarter in the previous year due to increased competitive ability thanks to correction for appreciation of the yen.

As a result, consolidated segment sales increased by 2.8 billion yen, compared to the previous year, to 18.1 billion yen while consolidated operating income increased by 0.6 billion yen to 1.2 billion yen.

Energy & Environment Segment

In the coal business, there was strong sales volume for salable coal. However, the traded volume of coal stored at UBE's Coal Center (transshipment station) dropped below the same period in the previous year due to periodic inspections performed at the coal-fired power plants of power companies which are main customers. In the power producer business, repair costs increased due to periodic inspections of IPP power plants. Furthermore, the sales volume decreased due to facilities still being stopped due to the occurrence of trouble in the process of restarting operation.

As a result, consolidated segment sales decreased by 3.5 billion yen, compared to the previous year, to 12.9 billion yen, while consolidated operating income decreased by 1.1 billion yen to loss of 0.09 billion yen.

Other

Consolidated segment sales of other businesses increased by 1.1 billion yen to 7.4 billion yen, while consolidated operating income was unchanged by 0.2 billion yen.

(4)Qualitative Information for Financial Condition

Regarding total assets for the current period when compared to the same period in the previous year, cash and cash equivalents increased by 7.3 billion yen. Furthermore, inventory assets including goods and products increased by 9.6 billion yen. As a result, current assets increased by 15.6 billion yen and tangible fixed assets increased by 3.7 billion yen. This caused total assets to increase by 21.2 billion yen to 707.1 billion yen.

Regarding liabilities, notes payable and accounts payable increased by 10.7 billion yen, and interest-bearing debt increased by 6.8 billion yen. This caused liabilities to increase by 18.1 billion yen to 453.2 billion yen.

Regarding net assets, retained earnings decreased by 5.0 billion yen due to allocation of surplus. Furthermore, although retained earnings decreased by 0.2 billion yen due to quarterly net loss, the foreign currency translation adjustment improved by 8.8 billion yen. This caused net assets to increase by 3.0 billion yen to 253.8 billion yen.

3. Consolidated Earnings Forecast for the Year Ending March 31, 2014
(April 1, 2013 to March 31, 2014)

Regarding consolidated business results for the first quarter of the current term, there are some businesses in which profits failed to reach expected levels due to slow recovery in demand for chemical products, as well as facilities trouble at the Thailand factory manufacturing caprolactam and at the IPP power plant. However, cement and building materials have exceeded expectations due to full-scale demand for reconstruction from the Great East Japan Earthquake. Furthermore, there are signs of recovery in demand for specialty chemicals & products.

Moving forward, although economic recovery is expected, there is concern regarding stagnation of the global economy due to the impact of the European debt crisis and the uncertain future of the Chinese economy. We expect that the business environment will be unpredictable and require caution.

On August 1st, 2013, we conducted a stock swap which made Ube Material Industries, Ltd. a wholly-owned subsidiary. The 2.8 billion yen gain in negative goodwill occurring from this stock swap will be recorded to the second quarter of the current term. However, at the current time, it is difficult to formulate a rational estimate of future costs which will be incurred in order to recover from facilities trouble at the IPP power plant. Accordingly, the business forecast for this fiscal year remains unchanged from the forecast which was announced on May 10th, 2013.

We will exercise due diligence in examining the business outlook and will promptly make any necessary corrections to the performance.

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(Billions of Yen – except per share data)

	Previous Fiscal Year ended Mar. 31, 2013	Fiscal Year ending Mar. 31, 2014(forecast)	Change
Net sales	626.0	675.0	49.0
Operating income	29.9	34.0	4.1
Ordinary income	28.0	28.5	0.5
Extraordinary income (losses), net	-12.2	-3.5	8.7
Net income	8.2	14.5	6.3
Net income per share	8.22 Yen	13.92 Yen	5.70 Yen
Dividend per share	5.0 Yen	5.0 Yen	0.0 Yen
Business Conditions			
Exchange rate (yen per US$)	83.1 Yen	95.0 Yen	11.9 yen
Naphtha price (yen/kl)	57,500 Yen	64,700 Yen	7,200 yen
Australian coal price (yen/ton)	10,540 Yen	10,540 Yen	0 yen

(Reference)

Consolidated Key Indicators (Billions of yen – except where noted)

	Previous First Q ended June. 30, 2012	Current First Q ended June. 30, 2013	Fiscal Year ending Mar. 31, 2014 (forecast)	Fiscal Year ended Mar. 31, 2013
Capital investment	7.6	59	40.0	40.9
Depreciation and amortization	7.6	78	33.0	31.3
Research and development expenses	3.4	35	14.5	14.0
Adjusted operating income *1	6.4	19	35.0	32.1
Interest-bearing debt	259.4	253.4	250.0	246.6
Net debt *2	225.7	210.2	215.0	210.6
Equity capital*3	203.1	218.1	227.5	215.5
Total assets	680.9	707.1	710.0	685.8
Net D/E ratio (times)	1.11	0.96	0.95	0.98
Equity ratio (%)	29.8	30.9	32.0	31.4
Return on sales (%)	4.0	0.8	5.0	4.8
Return on assets - ROA (%) *4	-	-	5.0	4.8
Return on equity – ROE (%)	-	-	6.5	4.0
Number of employees	11,248	11,397	11,400	11,090

*1 Adjusted operating income: Operating income + Interest and dividend income + Equity in earnings of unconsolidated subsidiaries and affiliated companies

*2 Net debt: Interest-bearing debt – Cash and cash equivalents

*3 Equity capital: Net assets – Share subscription rights – Minority interests

*4 ROA: Adjusted operating income / Average total assets